



U.S.-KOREA TRADE AGREEMENT

Tennessee Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Tennessee agricultural products, including beef, poultry, and soybeans. Tennessee's agricultural exports to all countries, estimated at \$1.2 billion in 2009, supported about 9,800 jobs, on and off the farm. These export sales make an important contribution to the Tennessee farm economy, which had total cash receipts of \$2.8 billion in 2009.

Soybeans and Products. Accounting for 20 percent of total farm cash receipts, soybeans are Tennessee's top agricultural commodity with sales of \$565 million in 2009. Soybeans and soy products were also the state's leading agricultural export in 2009 totaling \$363 million. The KORUS agreement will provide many benefits to the Tennessee soybean growers.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free tariff-rate quota starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.
- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Poultry and Egg Products. Broilers are the state's second largest source of farm cash receipts at \$442 million in 2009. Under the KORUS agreement:

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, frozen turkey cuts, will be phased out in 7-12 years.
- As the number 2 market for U.S. egg products, Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

Cattle and Beef. The cattle and calf industry is the state's third largest source of farm cash receipts with earnings of \$424 million, or 15 percent of the total farm earnings in 2009. Under the KORUS agreement:

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Cotton. Cotton is the state's sixth largest source of farm cash receipts with \$146 million in 2009

- The KORUS agreement will lock in the duty-free access being enjoyed by U.S. cotton exporters. This permanent access allows U.S. cotton exports to continue to compete on a level playing field with Korea's other trading partners.

Feed Grains. Corn is the state's fifth largest source of farm cash receipts with \$251 million in 2009. Under the KORUS agreement:

- U.S. exports of corn for feed are guaranteed will be duty-free immediately. Korea is currently the third largest market for U.S. corn for feed.
- The agreement includes a new 93,774-ton duty-free quota for corn for processing that grows quickly to 393,849 metric tons by year 7, after which quantities will be unrestricted.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Tennessee to World
Cattle and Beef	\$6,703,000,000	\$62,000,000
Poultry and Egg Products	\$4,850,000,000	\$73,800,000
Cotton	\$3,628,000,000	\$147,000,000
Soybeans and Products	\$17,709,000,000	\$363,000,000
Feed Grains	\$3,948,000,000	\$73,000,000
Agricultural Total	\$96,632,000,000	\$1,202,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.